News Release

Doing Business 2009: Regulatory Reforms Gain Momentum in Latin America and the Caribbean; Colombia, Dominican Republic Are Global Leaders in Business-friendly Reforms

WASHINGTON, D.C., September 10, 2008—Regulatory reforms are gaining momentum worldwide, reaching record numbers this year, according to *Doing Business 2009*—the sixth in an annual series of reports published by IFC and the World Bank. Latin America is part of this trend; the new report identifies 30 reforms to business regulation across half the region's countries between June 2007 and June 2008.

Colombia is a global leader in reforming business regulations for the second year in a row - and the top Latin America regional reformer. With improvements in five areas covered by the report, it rises to 53 in the global rankings on the ease of doing business. The Dominican Republic joins the top 10 economies in reforming business regulation for the first time this year, with gains in four of the 10 areas the report studied, including broad tax reforms. The Bahamas, covered for the first time by the report, makes its debut at 55 in the global rankings.

The region's countries continue to be active reformers of business regulation. From Mexico to Panama, countries made it easier to start a business, register property, pay taxes, and conduct trade across borders. El Salvador made significant reforms in starting a business and facilitating trade, while Honduras made key reforms for facilitating trade and paying taxes. Ecuador streamlined the trade process by improving port infrastructure, while Uruguay abolished its minimum capital requirement to incorporate a company and made improvements in tax and trade regulations. The Dominican Republic's success reflects a positive trend across the Caribbean: Antigua and Barbuda, Haiti, Jamaica, and St. Vincent and the Grenadines also implemented reforms that make it easier to do business.

"Countries in Latin America and the Caribbean are increasingly committed to reform agendas, and Colombia and El Salvador are key examples," said Sylvia Solf, lead author of the report. "The region's most popular area for regulatory reform continues to be facilitating trade, followed by changes that make it easier to start a business," she added.

Doing Business ranks countries based on 10 indicators of business regulation that track the time and cost to meet government requirements in starting and operating a business, trading across borders, paying taxes, and closing a business. The rankings do not reflect such areas as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Among regions, Eastern Europe and Central Asia led in reforms of business regulation for a fifth consecutive year, with more than 90 percent of its countries making improvements. And the trend is moving eastward as newcomers join the list of economies making the most reforms: the top 10 are, in order, Azerbaijan, Albania, the Kyrgyz Republic, Belarus, Senegal, Burkina Faso, Botswana, Colombia, the Dominican Republic, and Egypt.

Singapore leads the global rankings on the overall regulatory ease of doing business for a third consecutive year. New Zealand is runner-up, and the United States third. The highest-ranking economies in Latin America and the Caribbean are St. Lucia at 34, Puerto Rico at 35, and Chile at 40.

"Economies need rules that are efficient, easy to use, and accessible to all who have to use them. Otherwise, businesses get trapped in the unregulated, informal economy where they have less access to finance and hire fewer workers, and where workers lack the protection of labor law," said Michael Klein, World Bank/IFC Vice President for Financial and Private Sector Development. "*Doing Business* encourages good rules, and good rules are a better basis for healthy business than 'who you know,'" he added.

Doing Business 2009 ranks 181 economies on the overall ease of doing business. The top 25 are, in order, Singapore, New Zealand, the United States, Hong Kong (China), Denmark, the United Kingdom, Ireland, Canada, Australia, Norway, Iceland, Japan, Thailand, Finland, Georgia, Saudi Arabia, Sweden, Bahrain, Belgium, Malaysia, Switzerland, Estonia, Korea, Mauritius, and Germany.

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The *Doing Business* project is based on the efforts of more than 6,700 local experts—business consultants, lawyers, accountants, and government officials—and leading academics around the world who provided methodological support and review. The data, methodology, and names of contributors are publicly available online at www.doingbusiness.org.

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Fact Sheet—Summary of Reforms in Latin America and the Caribbean

Antigua and Barbuda reduced its corporate income tax rate from 30% to 25%.
Areas of Reform: Paying Taxes
Rank in Doing Business 2009: 42

Argentina reduced the severance payment for a worker with 20 years of seniority from 30 months to 20. After its unemployment rate fell below 10%, a 2007 decree abolished the 50% increase in severance payments that had been part of "emergency laws" adopted in 2002.
Areas of Reform: Employing Workers
Rank in Doing Business 2009: 113

In **The Bahamas** no major reform was recorded.
Rank in Doing Business 2009: 55

In **Belize** no major reform was recorded.
Rank in Doing Business 2009: 78

Bolivia suspended applications for voluntary restructuring of financially distressed companies. The only option now is a lengthy bankruptcy procedure that typically takes years.
Areas of Reform: Closing a Business (making it more difficult)
Rank in Doing Business 2009: 150

Brazil reduced the time to export by four days. Authorities merged the current manifest reporting system, "Merchante" (for imports) and "Siscomex" (for exports) into a new and unique system, "Siscomex Carga." Due to an increase in the shares of traders allotted "green line" status, the number of inspections was reduced, speeding up the customs process.
Areas of Reform: Trading across Borders
Rank in Doing Business 2009: 125

In **Chile** no major reform was recorded.
Rank in Doing Business 2009: 40

Colombia, a top global and regional reformer, improved in five of the 10 *Doing Business* indicators. It reduced the time and cost to start a business by simplifying registration formalities, including speeding up processes at the registry and eliminating the need to obtain a certificate of compliance with zoning regulations. A silence-is-consent principle for building permits is now applied, reducing the total time for dealing with construction permits by 32 days. A new unified application form was introduced. Colombia made electronic social security contributions mandatory for companies with more than 30 employees and created unified electronic forms for filing taxes. Trading across borders was expedited: better banking services and the implementation of e-payments, electronic data interchange, and coordinated inspections in customs reduced the time to export by 10 days and the time to import by five. Authorities also introduced two new insolvency proceedings: a reorganization procedure to restructure insolvent companies and a mandatory liquidation procedure. Its new insolvency law tightens time limits for

negotiating reorganization agreements. Before, the term allowed was six months, with a possible extension of eight months. The new law limits the term to four months, and the extension to two.
Areas of Reform: Starting a Business, Dealing with Construction Permits, Paying Taxes, Trading across Borders, Closing a Business
Rank in Doing Business 2009: 53

Costa Rica digitized tax registration records and company books, reducing the time required to start a business by 17 days.
Areas of Reform: Starting a Business
Rank in Doing Business 2009: 117

In **Dominica** no major reform was recorded.
Rank in Doing Business 2009: 74

The **Dominican Republic,** a top global and regional reformer, sped up formalities in several areas by making them electronic. An online system for filing and paying taxes, piloted in 2006, is now fully operational. And entrepreneurs can complete several start-up formalities online, including name verification, and commercial and tax registration. The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty. The cost of property registration fell, thanks to a reduction in the transfer tax from 4.3% to 3%. Transferring property now costs 3.8% of the property value, down from 5.1%. In addition, authorities reduced the time to export by three days by improving the online portal for customs documentation and payment.
Areas of Reform: Starting a Business, Registering Property, Paying Taxes, Trading across Borders
Rank in Doing Business 2009: 97

Ecuador streamlined the trade process through improvements in port infrastructure and banking services and a reduction in the number of documents required. The changes reduced the time to export by two days and the time to import by 15.
Areas of Reform: Trading across Borders
Rank in Doing Business 2009: 136

El Salvador implemented a new commercial code that simplified business start-up by reducing the minimum capital requirement, simplifying the legalization of accounting books, and publication requirements. In trade, modernization of the customs system, a reduction in physical inspections, continued benefits from the single window reduced the time to export by seven days and the time to import by eight.
Areas of Reform: Starting a Business, Trading across Borders
Rank in Doing Business 2009: 72

In **Grenada** no major reform was recorded.
Rank in Doing Business 2009: 84

Guatemala enacted a new secured transactions law (*Ley de Garantías Mobiliarias*), creating new forms of pledges over movable assets and a registry for the pledges. Under the new law, accounts receivable and

inventory may be described in general terms when used as collateral and parties may agree to out-of-court enforcement of the security right at the time the security interest is created.
Areas of Reform: Getting Credit (Legal Rights)
Rank in Doing Business 2009: 112

In **Guyana** no major reform was recorded.
Rank in Doing Business 2009: 105

Haiti reduced the time to export by a day, by implementing risk-based inspections in customs.
Areas of Reform: Trading across Borders
Rank in Doing Business 2009: 154

Honduras improved the efficiency of its tax system by introducing electronic filing and payment. It also made it easier to import by abolishing a requirement for consular legalization of trade documents.
Areas of Reform: Paying Taxes, Trading across Borders
Rank in Doing Business 2009: 133

Jamaica, as part of an initiative to improve administrative efficiency, introduced a statutory time limit for issuing building permits, reducing the time required to build a warehouse by 80 days. It also reduced the property transfer tax from 7.5% to 6%, and the stamp duty from 5.5% to 4.5%, of the property value. That cut the cost to transfer property from 13.5% of the property value to 11%.
Areas of Reform: Dealing with Construction Permits, Registering Property
Rank in Doing Business 2009: 63

Mexico introduced a new tax law that abolishes the asset tax (IMPAC) and the possible eventual amalgamation of income tax applicable to corporations and individuals with business activities. A new withholding tax on cash deposit interest is being implemented, and new reporting rules were introduced for value-added tax. Mexico also amended its bankruptcy law to make reorganization more accessible. Now debtors and creditors may enter into a reorganization agreement at any stage of the insolvency procedure, which is expected to speed the process.
Areas of Reform: Paying Taxes, Closing a Business
Rank in Doing Business 2009: 56

In **Nicaragua** no major reform was recorded.
Rank in Doing Business 2009: 107

Panama introduced an online system for company creation, greatly speeding business start-up.
Areas of Reform: Starting a Business
Rank in Doing Business 2009: 81

In **Paraguay** no major reform was recorded.
Rank in Doing Business 2009: 115

In **Peru** no major reform was recorded.
Rank in Doing Business 2009: 62

In **Puerto Rico** no major reform was recorded.
Rank in Doing Business 2009: 35

In **St. Kitts and Nevis** no major reform was recorded.
Rank in Doing Business 2009: 67

In **St. Lucia** no major reform was recorded.
Rank in Doing Business 2009: 34

St. Vincent and the Grenadines reduced its corporate tax rate from 40% to 37.5%. And it introduced a value-added tax at a standard rate of 15% to replace several existing taxes, including the hotel tax, consumption duty, entertainment tax, stamp duty on receipts, and domestic and international telecommunications surcharge. The country also enacted a bankruptcy law, its first set of rules regulating the bankruptcy of private enterprises.
Areas of Reform: Paying Taxes, Closing a Business
Rank in Doing Business 2009: 66

In **Suriname** no major reform was recorded.
Rank in Doing Business 2009: 146

In **Trinidad and Tobago** no major reform was recorded.
Rank in Doing Business 2009: 80

Uruguay eliminated the minimum capital requirement in July 2007, making it easier to start a business. A new tax law abolished COFIS (a 3% sales tax) and reduced the value-added tax from 23% to 22%. In trade, Uruguay implemented electronic data interchange and improved its banking system, reducing the time to export by five days and the time to import by a day.
Areas of Reform: Starting a Business, Paying Taxes, Trading across Borders
Rank in Doing Business 2009: 109

Venezuela reintroduced a tax on financial transactions, which is levied at a rate of 1.5% on all payments made to third parties. The tax, which had been abolished in February 2006, was levied at a rate of 0.5% before.
Areas of Reform: Paying Taxes (making it more difficult)
Rank in Doing Business 2009: 174